

SAVE THE DREAM – A RESPONSE TO MICHIGAN FORECLOSURES

MSHDA SINGLE-FAMILY REFINANCE LEGISLATION TALKING POINTS

November 28, 2007

- MSHDA has been aggressively involved in efforts to address the existing mortgage foreclosure and predatory lending problems in the state of Michigan.
- One aspect of this effort is focused on possibility that MSHDA could help address the foreclosure problem by providing for and engaging in single-family mortgage refinancings, specifically targeting Adjustable Rate Mortgages (ARMs) where interest rate increases have made many low-to-moderate income homeowner's existing financing unaffordable and thereby increased delinquency and foreclosure problems in Michigan.
- MSHDA currently lacks the statutory authority to engage in single-family mortgage loan refinancings.
- MSHDA has prepared a package of bills that would amend the MSHDA Act to provide the statutory authority required to engage in refinancings:
 - House Bill 5443 would technically amend Section 32a of the MSHDA Act to allow for mortgage refinancing activities. Section 32a currently requires a certain percentage of borrowers to be first-time home buyers. Any mortgage refinancing program would need to be excepted from this requirement since borrowers would already have an equity interest in the home that is refinanced.
 - House Bill 5444 would amend Section 44 of the MSHDA Act to explicitly provide MSHDA with the ability to engage in refinancings of single-family residences.
 - House Bill 5445 would create a "Recapture Tax Fund" to address recapture tax issues resulting from single-family mortgage refinancings. In certain situations, the refinancing of MSHDA mortgages by other mortgage institutions may result in tax liability for the borrower. The fund is designed to help address and compensate the borrower for this tax liability.
 - House Bill 5446 would amend Section 32 of the MSHDA Act to ensure that the Authority has adequate financial resources to accomplish the missions assigned to it by the Legislature and the Governor.
 - House Bill 5447 would amend Section 1 of the MSHDA Act to provide adequate public purpose backing to the Authority's refinance programs.



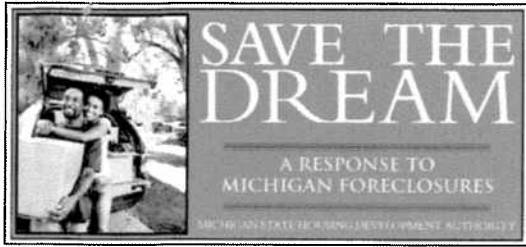
Michigan State Housing Development Authority Homeownership Refinance Programs

In an attempt to combat the State of Michigan's Foreclosure epidemic, MSHDA is proposing two new refinance loan programs;

- **ARM Assist Refinance**

The purpose of this new refinance program is to assist individuals who currently have an adjustable rate mortgage and would like to obtain a fixed rate loan in order of creating housing expense certainty. The current rate on the adjustable loan must be increasing and/or projected to increase, thus dramatically raising owners housing expense.

- MSHDA Income limits apply and are available online at: www.michigan.gov/mshda
- Maximum loan limits will mirror our current sales price limits and are available online at: www.michigan.gov/mshda
- Home must be the borrowers permanent residence or owner occupied
- Proceeds of the refinance will be only used to;
 - Payoff existing first mortgage
 - Roll in closing costs and prepaid expenses (taxes and insurance escrows)
 - Amount required to satisfy subordinate mortgage liens, if the lien was obtained to purchase the home
- No cash back to the borrower at loan closing
- 30 year fixed rate term loan
- 100% loan to value, based on current appraisal.
- Overall good credit history



Michigan State Housing Development Authority Homeownership Refinance Programs

- MSHDA Rescue Refinance

The Purpose of this new refinance program is to assist individuals who currently have a delinquency on their mortgage and for whom a loss mitigation strategy aimed at reinstating their existing mortgage is not plausible. Borrowers cannot have more than 3 x 30 day's late on their housing payment history within the last 12 month and be current at time of application.

- MSHDA Income limits apply and are available online at: www.michigan.gov/mshda
- Maximum loan limits will mirror our current sales price limits and are available online at: www.michigan.gov/mshda
- Home must be the borrowers permanent residence or owner occupied
- Proceeds of the refinance will be only used to:
 - payoff existing first mortgage
 - Roll in closing costs and prepaid expenses (taxes and insurance escrows
 - Payoff subordinate liens that are seasoned 6 months or more
- No cash back to the borrower at loan closing
- 30 year fixed rate term loan
- 100% loan to value, based on current appraisal
- Credit history of borrower will be reviewed to determine past performance in paying debts in a timely manner. Borrowers cannot have more than 3 times 30 days late on their housing payment in the last 12 months.



How To Keep Your Home - The best advice you will ever hear when you know that you are having financial trouble is **COMMUNICATE, COMMUNICATE, and COMMUNICATE!**

For more information and technical assistance call toll free:

1-866-946-7432

Or visit the MSHDA Web site and click on the "Save the Dream" icon:

www.michigan.gov/mshda